

# **Appendix A: Market Analysis Report**

**Prepared by Economic Research Associates**



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## INTRODUCTION

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The City of Milpitas retained the planning team led by Dyett and Bhatia to prepare the Transit Area Specific Plan. Economics Research Associates (ERA) is serving as the planning economist on the Dyett & Bhatia team. The Specific Plan Area covers 437-acre area and includes the Great Mall and nearby properties surrounding the Montague Expressway and Great Mall Parkway intersection. This Area now contains two VTA light rail stations and will in the future contain the Milpitas BART station on the BART extension connecting Fremont to San Jose and Santa Clara. ERA's role in this plan development process contains three parts: 1) to forecast real estate market outlook for the purpose of shaping realistic planning alternatives, 2) to evaluate the fiscal implications of the alternatives on the City of Milpitas, and 3) to suggest a set of financing strategies that will facilitate plan implementation. This memorandum provides a high-low range of real estate market demand forecast for the Specific Plan Area and includes the following:

- A review of the Silicon Valley economy;
- A discussion of the strengths of the Specific Plan Area location;
- An overview of demographic trends in the market area;
- An analysis of current real estate market conditions and prospects for future development; and
- Projections of demand for housing, retail, office and hotel development within the Specific Plan Area from 2006 through 2025.

## AN ECONOMY BASED UPON INNOVATION

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The Silicon Valley economy, which has powered the growth of Santa Clara County during much of the past 20 years, has been built upon the increasing computing power of the micro-processor. Moore's Law suggests that computing power doubles every 18 months without an increase in cost. Computer processors are now nearly 30,000 times faster than those first introduced into commercial application some 30 years ago.

The recent 2000 to 2003 downturn, which has led to the loss of over 175,000 jobs in Santa Clara County, has caused some developers to be pessimistic about the future of this valley for employment growth (Table 1). However, Silicon Valley has had periods of economic contraction and employment loss in the past; and a new round of economic resurgence has followed each period of contraction. The resurgence has been based upon innovation, resulting in new products and services. Even when viewed from the trough of the recent recession, Santa Clara County has added an average of over 7,100 new jobs per year in the twenty years from 1983 to 2003.

With the strongest concentration of technology companies and the most technically sophisticated labor force in the world, the Silicon Valley economy will once again rebound and move forward. The next cycle of growth will be based once again upon innovation, and innovation in Silicon Valley is a collective process. "Geographic proximity promotes the repeated interaction and mutual trust needed to sustain collaboration and to speed the continual recombination of technology and skill. When production is embedded in these regional social structures and institutions, firms compete by translating local knowledge and relationships into innovative products and services; and industrial specialization becomes a source of flexibility rather than atomism and fragmentation."<sup>1</sup>

With each cycle of contraction followed by renewed expansion, the Silicon Valley economy is also undergoing long-term structural change. Like most urban area economies, this structural change reflects a decreasing dependence on manufacturing and an increasing tendency toward service employment. Because of high land, labor and housing cost, manufacturing companies that compete by using mature technology more cost effectively will tend to migrate to lower cost areas. Existing and new firms that will drive the economy forward are providing innovative products and increasingly new services. Services firms use office space rather than manufacturing or R & D space.

The challenges to the continued forward movement of this economy that can be locally addressed are shortage of affordable housing, insufficient transportation capacity and shortage of community amenities. The Milpitas Midtown Transit Subarea is a transportation rich location that enjoys VTA light rail service and good access to both I-880 and I-680 via Great Mall Parkway and Montague Expressway. A new BART station will further strengthen this area as a location that enjoys great regional access. Riding a wave of strong housing demand, developers are addressing the housing shortage. This specific plan process can be used to introduce new community amenities.

## **DEMOGRAPHIC TRENDS**

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ERA reviewed the historic population growth of Milpitas and Santa Clara County and prepared a current forecast of population and employment growth for cities neighboring Milpitas in both Alameda and Santa Clara Counties, including Milpitas, Newark, Union City, San Jose, Sunnyvale and Santa Clara (Tables 2 and 3). The forecast is based on projections originally prepared by the Association of Bay Area Governments (ABAG) but adjusted by the recent population and employment data provided by the Bureau of Census and Bureau of Labor Statistics. The population within these seven South and East Bay cities is projected to grow from 1.57 million currently to 1.79 million by 2025. ERA estimates that Milpitas' population will grow from to about 66,000 in 2005 to nearly 78,000 by 2025.

These seven cities currently contain 775,000 jobs. By 2025 their job total is projected to reach over one million. The number of jobs in Milpitas will likely grow from 28,000 today to over 40,000 by 2025. ERA adjusted the original ABAG forecasts upward due to recent events and the interest stimulated by this Specific Plan.

## MARKET OVERVIEW

A summary of the real estate market outlook for residential, retail, office, and lodging uses is presented below. The market analysis assumes that many of the infrastructure improvements identified by this specific plan will be constructed, and their construction will enhance development opportunity.

### HOUSING

The 1990 through 2001 period was one of fairly brisk residential construction in Milpitas. According to construction permit information presented in Table 4, over 3,600 units were built during this 12-year period. When the Silicon Valley economy collapsed, residential construction essentially came to a halt. Only a handful of residential construction permits were issued in 2002, 2003 and 2004. As the economy is now beginning to recover and with the proposed BART extension stimulating interest, property owners and developer are once again exhibiting keen interest in residential development. With the currently low mortgage rates, demand for owner housing is very strong. Due to the high land cost in Silicon Valley, developers are proposing fairly high-density residential product types. Much of the new Milpitas population is Asian, and this population is fairly receptive to higher density owner housing.

Despite the recent regional economic downturn, housing remains in short supply relative to demand in Silicon Valley. During the 1980s and 1990s, housing construction did not come close to keeping pace with job growth, and housing affordability will continue to be an issue as the economy recovers.

Most of the long-term regional population growth is expected to occur in the 20 to 24 and 55 and older age groups. Meanwhile, the number of persons aged 25 to 54, which generally supplies most of the demand for single family units, is expected to remain fairly level until 2010, then decline. This demographic trend also suggests a demand shift toward higher density housing products because the 20 to 24 age group tends to be apartment renters and the over 55 baby boomer generation is showing increasing interest in more compact and walkable communities that tend to be higher density.

There is now strong housing developer interest in Milpitas. As the BART extension plans become more certain, this interest in the Specific Plan Area will intensify. In addition, Santa Clara County has disposed of some of its surplus property around the Elmwood Correctional Facility to a housing developer. The next 20 years will be a period of sustained housing construction in Milpitas. Demand within this Specific Plan Area will range from townhouses to mid-rise and high-rise condominiums and apartments. Given the high land cost in this area, the townhouse developments in the strong locations are likely to be built over parking podiums and therefore achieving densities of more than 35 units per acre. This area will offer its residents great regional access via freeways and transit, a wide variety of local shops and restaurants and a series of well planned neighborhoods with parks and linked by pedestrian and bicycle paths. ERA's housing demand forecasts are shown below, and the inclusion of subsidized housing would be in addition to these market demand forecast. The strong current housing demand interest in this area can be attributed to three key factors:

- Developers and property owners anticipating improved public infrastructure and higher quality private investment due to this Specific Plan effort.

- The concern that the current housing boom cycle is approaching its waning years, and projects not underway in the near term will miss this cycle.
- The marketing advantage offered by proposed future BART service.

<i>Transit Sub-Area Housing Demand from 2006 through 2025</i>	<i>Low</i>	<i>High</i>
Townhouses (some over parking podiums)	740	960
Apartments	1,400	1,640
Condominiums	1,460	1,800
<i>Total Units</i>	<i>3,600</i>	<i>4,400</i>

## OFFICE

Santa Clara County currently has 89.2 million square feet of office space. Of this total 74.7 million square feet is occupied and 14.5 million is vacant for a vacancy rate of 16 percent (Table 5). The vacancy rate has dropped gradually from a high of 20 percent during the second quarter of 2003. The occupied square footage has climbed from a low of 71.1 million during that quarter. Because of the high vacancy rate and low average rents (\$24 per square foot per year full service), no significant office development is expected in Santa Clara County until the 2009 or 2010 time frame.

Milpitas has not been a significant office location for Silicon Valley firms to date. According to CoStar, a proprietary information source, Milpitas has 87 office buildings for a total of 3.5 million square feet of space. Of this total 2.2 million square feet is occupied and 1.3 million square feet is vacant. The local office vacancy rate is 38 percent, and the average lease rate in Milpitas is only \$20.29 per square foot full service, well below the countywide average (Table 6). With a higher vacancy rate, a lower lease rate and only 2.9 percent of the county's occupied space, Milpitas has not been a significant factor in the Silicon Valley office market.

As employment rises once more, demand for office space will increase. The Midtown Transit Sub-Area of Milpitas should become a stronger location for future office development because of the expected arrival of BART service and the improvements proposed in this specific plan. Successful office location depends upon peak hour access to a large labor pool. The Midtown Transit Sub-Area enjoys excellent regional labor force access because of its proximity to both I-880 and I-680 in addition to current VTA light rail service and future BART service. As high gasoline prices and increased automobile congestion make locations well served by rail transit more attractive to office users, this station area should be able to garner an increasing share of the future regional office market. The transit access at this locations plus the shopping and restaurants offered by an upgraded Great Mall and future restaurant, lifestyle retail and entertainment development will make this area one of the strongest office locations within Milpitas.

Notably, in the near term, many developers in the Silicon Valley have converted their plans for office development to residential and/or retail uses. This will reduce the supply of land available for future office use, making the Midtown BART station area an even more viable location for office development. The office demand growth over the next four or five years will go largely

into existing vacant or under-utilized office buildings. However, beyond 2010, new office construction will be needed to satisfy continued demand growth.

Based upon the analysis of very long-term trends, ERA forecasts that Santa Clara County will have sufficient office space demand to justify the construction of 30 million square feet between 2010 and 2025. Considering the area's location, the coming of BART service and the improvements proposed in the specific plan (e.g. more pedestrian spaces, housing, parks, restaurants and retail), a 4.0 percent to 4.5 percent capture of the Silicon Valley market would appear achievable if strong office sites are created. An effective pedestrian network will be essential to future office development success in this area. These capture rates translate into demand for 1.2 to 1.44 million square feet for the Midtown Transit Sub-Area over the next 20 years.

<i>Transit Sub-Area Office Demand from 2006 through 2025</i>	<i>Low</i>	<i>High</i>
Office Space (million of square feet)	1.2	1.44

## RETAIL

Because of the continued strong pace of housing construction driving population growth, retail space demand has weathered the recession better than other types of commercial land uses in the Bay Area. This strong retail demand has prompted many developers to re-entitle office commercial land into retail land. In neighboring Fremont, Catellus Development Corporation recently shifted the Pacific Commons mixed-use project from a plan that included mostly office and hotel uses to one centered on retail development. Currently, about 850,000 square feet of shops and restaurants are being built on an 80-acre site within the entire 370-acre complex. The project is expected to include a variety of retail uses, including big box retailers such as Lowe's and a new department store for Northern California, Kohl's, as well as mid- and small-size retailers.

Fremont's emergence as a more significant retail competitor, coupled with the "Dot Com" bust, has negatively impacted retail sales in Milpitas. From 1993 to 2000, taxable retail sales in Milpitas grew dramatically from \$318 million to \$918 million. Milpitas' share of countywide sales climbed from 3.0 percent to 4.6 percent. However, because of the collapse of the local economy in late 2000 and 2001, taxable sales in Milpitas fell back down to \$772 million by 2003. Within Santa Clara County the decline was across the board, and Milpitas' share of countywide sales has actually climbed to 4.7 percent.

The most important sales tax generator within Milpitas is the Great Mall. The Mills Corporation recently acquired the Great Mall because it saw the opportunity to improve performance by moving the mall up-market, and the result will be more national chain stores and higher line tenants. With condominium prices in Milpitas pushing beyond \$600,000, average family income in the Great Mall trade area has climbed substantially during the past five years. With its planned re-tenanting strategy and physical improvements, coupled with the expected rebound of the regional economy, ERA expects the Mills Corporation to significantly improve the sales performance of the Great Mall over the next five years. One of the challenges for this specific plan is how the regional attraction power of the Great Mall can be better harnessed for the benefit of an area larger than simply the mall itself.

ERA's retail market analysis, which is general in nature due to size and complexity of the planning area, included the following steps:

- We defined the market area for the analysis as Milpitas, Fremont and the Eastern 60 percent of San Jose. The Great Mall no doubt has a larger trade area, and certain locations within the planning area will have a much smaller trade area.
- We first projected market area population growth to secure the basic input into the demand forecast. This has been presented in Table 3.
- We reviewed the growth in taxable sales in Milpitas and Santa Clara County, which climbed from 1993 to 2000 and then dropped. The decline appears to have stabilized by 2003 (Tables 7 and 8).
- We then estimated per capita retail spending by retail category based upon actual Santa Clara County taxable sales experience. Adjustments were made to account for items that do not pay sales tax such as groceries and prescription drugs (Table 9).
- ERA then examined Milpitas' share of countywide taxable store sales by sector to understand the city's retail strengths and weaknesses (Table 10).
- In the demand model, we adjusted for the impact of real income growth considering both macro economic conditions, such as business cycles, and micro economic changes, such as the climbing home prices in Milpitas and the expected recovery of the Silicon Valley economy.
- The aggregate retail demand is then calculated by multiplying the market area population by the expected per capita retail sales for different points in time. Subtracting the 2005 sales from the projected 2015 and 2025 sales calculates the growth in retail demand.
- We then estimated market capture rates by retail category for the city of Milpitas and then the Specific Plan Area (Tables 11 and 12).
- The sales gain by category is then converted into retail square footage demand by dividing by an estimated sales per square foot per year factor for each category. The calculated demand growth is summarized in Table 13.

The resulting range of new retail development potential for the next 20 years is summarized below. The swing factor is how much of this new demand will be captured by the Great Mall. By bringing in more productive tenants and remodeling, the Great Mall has the ability to increase its sales by 30 to 40 percent without adding much new square footage.

<i>Transit Sub-Area Retail Demand from 2006 through 2025</i>	<i>Low</i>	<i>High</i>
Retail and Restaurant Space (square feet)	350,000	500,000

Considering the high land cost of this part of Milpitas and the high level of rail transit service planned, the land economics dictate a more urban retail strategy. It is ERA's view that the best strategy to expand retail sales within this Specific Plan Area is the creation of a "lifestyle retail

district” across Great America Parkway from the Great Mall in the vicinity of McCandless Drive. The strengths of this strategy include:

- The properties along both sides of McCandless are in a single ownership facilitating a master planned mixed-use development – housing, retail, restaurant, hotel and office – able to exploit the area’s full market potential.
- McCandless Drive terminates at Great Mall Parkway at one end and Montague Expressway at the other end, both are major arterial roads leading to I-880 and I-680 freeways providing regional access.
- The north end of McCandless Drive faces the main entrance of the Great Mall. Design improvements to this intersection (McCandless Drive and Great Mall Parkway) would strengthen the cross shopping potential between the two areas.
- From the City sales and hotel tax collection perspective, this area directly across from the front entrance to the Great Mall is the strongest location in the Specific Plan Area for future retail and hotel development. If this area is pre-empted by residential development because of more immediate demand, the lost opportunity cannot be readily replaced.
- The curvature of the street and the mature trees allows this drive to become an attractive medium to high-density residential street adding local market support for restaurants, shops and entertainment venues.

The Great Mall likely will capture much of the short-term retail demand growth; however, ERA expects the potential for this lifestyle retail street to reach maturation in the 2010 to 2012 time-frame. Considering the high concentration of Asian population, the tenanting strategy for this lifestyle retail district should not consist only of typical American chain stores that can be found in any major city but should include a sprinkling of very contemporary and higher end retailers and restaurant chains from Asia. Such an approach would provide the McCandless Drive retail district with a unique market niche within the Bay Area and one that is well suited to its local market. A successful shopping, dining and entertainment district would enhance the value of the residential units developed within walking distance and increase the amount and value of local hotel and office development.

## RESEARCH AND DEVELOPMENT

Milpitas currently has 8.0 million square feet of flex or R & D space. Of this total 4.9 million square feet is occupied, and the remaining 3.1 million square feet is vacant. The vacancy rate is a rather high 39 percent. Santa Clara County has 113.7 million square feet of this type of space, and the countywide vacancy rate is 23 percent. Owners of R & D buildings that do not have strong tenancies are trying to convert to residential or retail uses.

The high land cost of this Specific Plan Area, propelled by strong housing demand and the planned arrival of BART service, will make the future development of one and two story R & D buildings no longer financially viable. Over the next 20 years, existing R & D uses within this Area will be redeveloped into higher density residential, retail, office or hotel uses. The firms that require R & D space will relocate to less expensive locations in the Central Valley and elsewhere.

## LODGING MARKET

The Silicon Valley lodging industry has been through a dramatic up and down cycle due to the boom and bust of the regional economy, and the Milpitas hotel market has mirrored this cycle. As shown in Table 14, the City's transient occupancy tax (TOT) collection jumped from \$4.8 million in 1999 to \$6.3 million in 2000 and \$8.1 million in 2001, only to drop back down to \$4.7 million by 2004. Seven new hotels were completed during the 1997 through 1999 period in response to the booming demand, adding over 1,000 rooms to local supply.

Five years after the terrorist attack of September 11<sup>th</sup> leading to an abrupt falloff in air travel and the national recession that followed, the national hotel market is clearly on the rebound. Led by San Francisco, the Bay Area hotel market is also showing considerable strength. Year to date occupancies through July in San Francisco properties averaged 74.4 percent, and that city's July occupancy was 84.3 percent. The San Jose/Peninsula market has lagged San Francisco's in terms of recovery; however, it is showing increasing strength as well. In terms of the year to date numbers shown in Table 15, the occupancy rate in this market is up 5.1 percent and the average room rate is up 3.5 percent over one year ago.

According to Smith Travel Research, which surveys the larger and more competitive properties, Milpitas has 2,687 hotel rooms in 19 properties (Table 16). All but the 39-room Travelodge was built since 1983. On a long-term basis, Milpitas added 2,648 rooms or 132 hotel rooms per year in the 20-year period from 1983 through 2002. Considering the current demand versus supply balance, the planned transportation improvements and the expected upgrading of much of the city due to a strong housing market, ERA forecasts that Milpitas will have sufficient demand to add 2,500 new hotel rooms over the next 20 years.

While most of this new demand will gravitate toward locations visible from either I-880 or I-680, a couple of select service hotels have already located adjacent to the Great Mall. This Specific Plan Area's ability to attract additional hotel development will be influenced by the quality of future development, particularly retail, restaurant and office development. The development of a "life style" retail district with a variety of unique restaurants and entertainment venues will enhance the area's appeal to future hotel developers and operators. ERA's high-low forecasts of future hotel demand in the Midtown Transit Sub-Area are shown below. The high forecast assumes the development of a life style retail district across Great America Parkway from the Great Mall in the vicinity of McCandless Drive. ERA expects the next window of hotel development opportunity in Milpitas to open in 2008 or 2009.

<i>Transit Sub-Area Hotel Demand from 2006 through 2025</i>	<i>Low</i>	<i>High</i>
Hotel Units	150	350

A summary of market demand for all land uses in this Specific Plan Area is presented in Table 17 by five-year increments.

**STATISTICAL APPENDIX**  
**Tables 1 through 17**  
**21-Oct-05**

Table 1

**SANTA CLARA AND COUNTY EMPLOYMENT GROWTH**

	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<b>Ann. Rate of Growth <u>1990-2004</u></b>
Civilian Labor Force	854,500	859,000	1,000,600	997,900	943,600	895,100	828,800	-0.2%
Civilian Employment	820,800	816,600	980,800	952,400	863,800	821,600	774,200	-0.4%
Civilian Unemployment	33,700	42,400	19,800	45,500	79,800	73,500	54,600	3.5%
Civilian Unemployment Rate	3.9%	4.9%	2.0%	4.6%	8.5%	8.2%	6.6%	3.8%
 Total, All Industries	 819,500	 836,400	 1,035,000	 1,008,100	 907,300	 858,400	 851,000	 0.3%
 Total Farm	 4,900	 4,500	 5,000	 4,600	 4,500	 4,200	 4,100	 -1.3%
 Total Nonfarm	 814,600	 831,900	 1,030,000	 1,003,500	 902,800	 854,200	 846,900	 0.3%
Natural Resources & Mining	300	100	200	200	200	200	200	-2.9%
Construction	28,700	28,700	47,400	47,800	42,300	38,800	40,100	2.4%
Manufacturing	248,400	223,000	251,700	240,600	201,200	177,000	167,900	-2.8%
Trade, Trans. & Utilities	126,800	127,100	150,400	145,200	134,300	128,600	127,600	0.0%
Wholesale Trade	37,300	36,400	42,200	40,700	35,700	33,500	34,000	-0.7%
Retail Trade	75,500	75,800	90,600	88,200	83,600	81,000	80,200	0.4%
Finance, Ins. and Real Estate	32,800	30,400	34,000	35,200	34,900	34,800	34,700	0.4%
Services <sup>1</sup>	288,300	334,800	451,800	440,000	391,800	380,200	384,900	2.1%
Government	89,400	87,800	94,500	94,600	98,100	94,800	91,700	0.2%

<sup>1</sup>Services category includes the Information, Professional and Business Services, Educational and Health Services, Leisure and Hospitality, and Other Services Categories.

Source: State of California, Department of Employment Development

Table 2  
**MILPITAS AREA POPULATION GROWTH**  
 (Year End Estimates)<sup>1</sup>

<u><b>Santa Clara County</b></u>	<u><b>1990</b></u>	<u><b>1991</b></u>	<u><b>1992</b></u>	<u><b>1993</b></u>	<u><b>1994</b></u>	<u><b>1995</b></u>	<u><b>1996</b></u>	<u><b>1997</b></u>	<u><b>1998</b></u>	<u><b>1999</b></u>	<u><b>2000</b></u>	<u><b>2001</b></u>	<u><b>2002</b></u>	<u><b>2003</b></u>	<u><b>2004</b></u>	<u><b>Rate of Growth</b></u>
San Jose	782,224	785,600	796,500	810,500	820,100	825,300	835,600	852,100	866,800	878,800	893,300	907,300	916,300	919,600	926,200	<b>1.22%</b>
<b>Milpitas</b>	<b>50,690</b>	<b>51,600</b>	<b>53,800</b>	<b>55,800</b>	<b>56,700</b>	<b>57,900</b>	<b>58,500</b>	<b>59,400</b>	<b>60,300</b>	<b>61,800</b>	<b>62,700</b>	<b>63,100</b>	<b>63,600</b>	<b>64,700</b>	<b>64,600</b>	<b>1.31%</b>
Other Santa Clara County	664,663	664,600	668,900	675,800	681,700	685,000	692,300	701,200	711,200	717,400	723,200	734,100	736,200	735,200	740,600	<b>0.83%</b>
Total Santa Clara County	1,497,577	1,501,800	1,519,200	1,542,100	1,558,500	1,568,200	1,586,400	1,612,700	1,638,300	1,658,000	1,679,200	1,704,500	1,716,100	1,719,500	1,731,400	1.06%
Milpitas Share of County	3.4%	3.4%	3.5%	3.6%	3.6%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.8%	3.7%	
<u><b>Alameda County</b></u>																
Fremont	173,339	173,800	176,000	179,800	180,500	181,800	183,800	187,900	193,500	197,700	202,600	206,600	208,700	208,800	209,100	<b>1.48%</b>
<b>Primary Market Area<sup>3</sup></b>	<b>693,363</b>	<b>696,760</b>	<b>707,700</b>	<b>721,900</b>	<b>729,260</b>	<b>734,880</b>	<b>743,660</b>	<b>758,560</b>	<b>773,880</b>	<b>786,780</b>	<b>801,280</b>	<b>814,080</b>	<b>822,080</b>	<b>825,260</b>	<b>829,420</b>	<b>1.30%</b>

<sup>1</sup>Data for 1990 is as of June of that year. All other data is as of January of that year.

<sup>2</sup>Rate of annual growth is calculated from 1994.

<sup>3</sup>Consists of Milpitas, Fremont and Eastern 60% of San Jose

Source: Bureau of Census, California Dept. of Finance and ERA

Table 3

**ACTUAL AND PROJECTED POPULATION AND EMPLOYMENT**  
**Southern Alameda County and Central Santa Clara County**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>
<b>Population</b>									
Fremont	202,600	206,600	208,700	208,800	213,207	224,083	233,191	239,079	243,579
Newark	42,300	43,448	43,331	43,461	44,378	46,642	48,538	49,764	50,964
Union City	66,500	69,924	69,879	70,089	71,568	75,219	78,276	80,253	82,253
Milpitas	62,700	63,100	63,600	64,700	66,066	72,012	78,493	83,987	89,026
San Jose	893,300	907,300	916,300	919,600	939,011	982,034	1,019,417	1,045,158	1,064,158
Santa Clara	101,800	102,324	101,867	101,663	103,809	108,565	112,698	115,544	117,744
Sunnyvale	131,600	131,517	129,687	129,039	131,762	137,799	143,045	146,657	149,257
Total All Cities	1,500,800	1,524,213	1,533,364	1,537,351	1,569,802	1,646,354	1,713,657	1,760,442	1,796,981
Market Area <sup>1</sup>	801,280	814,080	822,080	825,260	842,680	885,315	923,334	950,161	971,101
Milpitas Percentage	7.8%	7.8%	7.7%	7.8%	7.8%	8.1%	8.5%	8.8%	9.2%
<b>Employment</b>									
Fremont	107,961	108,642	108,281	110,230	114,908	129,375	142,142	149,392	154,592
Newark	23,039	23,184	23,107	23,523	24,521	27,608	30,333	31,880	33,080
Union City	31,119	31,315	31,211	31,773	33,121	37,291	40,971	43,061	44,861
Milpitas	31,747	31,037	28,371	27,520	28,156	31,856	35,172	36,966	40,566
San Jose	496,357	485,248	443,571	430,264	440,214	498,062	549,901	577,951	599,951
Santa Clara	66,414	64,927	59,351	57,570	58,902	66,642	73,578	77,331	79,531
Sunnyvale	84,388	82,500	75,414	73,152	74,843	84,678	93,492	98,261	101,461
Total All Cities	841,025	826,853	769,306	754,032	774,666	875,513	965,588	1,014,843	1,054,043
Market Area <sup>1</sup>	636,065	624,927	580,223	568,014	583,279	659,293	727,214	764,310	795,110

<sup>1</sup>Consists of Milpitas, Fremont and Eastern 60% of San Jose

Source: US Census Bureau, Economics Research Associates

Table 4  
RESIDENTIAL BUILDING PERMITS, 1990 TO 2004

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	YTD <u>2004</u>	Annual Average		
																<u>90-03</u>	<u>94-98</u>	<u>99-03</u>
<u>Single Family</u> <sup>1</sup>																		
Fremont	281	286	273	173	471	436	468	815	537	435	235	85	99	87	82	318	545	188
Newark	38	73	46	68	89	32	0	25	68	81	107	61	53	0	1	49	43	60
Union City	208	110	203	170	144	131	341	483	592	254	340	127	88	92	116	227	338	180
<b>Milpitas</b>	<b>286</b>	<b>374</b>	<b>295</b>	<b>145</b>	<b>165</b>	<b>119</b>	<b>171</b>	<b>151</b>	<b>133</b>	<b>68</b>	<b>17</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>129</b>	<b>148</b>	<b>19</b>
Santa Clara	43	86	46	116	89	49	55	213	177	41	107	74	484	243	195	135	117	190
Sunnyvale	127	97	89	140	162	88	38	18	47	138	59	11	26	68	236	90	71	60
San Jose	283	636	895	776	902	830	2,240	2,332	1,975	1,599	1,328	551	562	1,135	747	1,119	1,656	1,035
<b>TOTAL</b>	<b>1,266</b>	<b>1,662</b>	<b>1,847</b>	<b>1,588</b>	<b>2,022</b>	<b>1,685</b>	<b>3,313</b>	<b>4,037</b>	<b>3,529</b>	<b>2,616</b>	<b>2,193</b>	<b>913</b>	<b>1,315</b>	<b>1,626</b>	<b>1,382</b>	<b>2,066</b>	<b>2,917</b>	<b>1,733</b>
<u>Multifamily</u> <sup>2</sup>																		
Fremont	277	455	72	99	494	233	266	694	608	123	317	110	4	0	95	256	459	111
Newark	8	4	2	0	0	0	0	318	0	0	0	0	0	0	2	22	64	0
Union City	0	0	0	0	0	0	9	125	45	0	157	0	0	42	200	39	36	40
<b>Milpitas</b>	<b>516</b>	<b>0</b>	<b>64</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69</b>	<b>306</b>	<b>0</b>	<b>161</b>	<b>221</b>	<b>392</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115</b>	<b>75</b>	<b>155</b>
Santa Clara	460	236	0	0	72	17	268	48	276	485	34	487	57	870	0	221	136	387
Sunnyvale	227	40	318	2	183	97	273	1,078	102	30	424	168	0	202	66	214	347	165
San Jose	1,780	1,404	554	1,536	1,118	1,081	1,892	2,040	2,888	2,016	3,131	2,928	1,902	3,201	1,516	1,932	1,804	2,636
<b>TOTAL</b>	<b>3,268</b>	<b>2,139</b>	<b>1,010</b>	<b>1,637</b>	<b>1,867</b>	<b>1,428</b>	<b>2,777</b>	<b>4,609</b>	<b>3,919</b>	<b>2,815</b>	<b>4,284</b>	<b>4,085</b>	<b>1,963</b>	<b>4,317</b>	<b>1,877</b>	<b>2,800</b>	<b>2,920</b>	<b>3,493</b>
<u>Total</u>																		
Fremont	558	741	345	272	965	669	734	1,509	1,145	558	552	195	103	87	177	574	1,004	299
Newark	46	77	48	68	89	32	0	343	68	81	107	61	53	2	1	72	106	61
Union City	208	110	203	170	144	131	350	608	637	254	497	127	88	134	316	265	374	220
<b>Milpitas</b>	<b>802</b>	<b>374</b>	<b>359</b>	<b>145</b>	<b>165</b>	<b>119</b>	<b>240</b>	<b>457</b>	<b>133</b>	<b>229</b>	<b>238</b>	<b>396</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>244</b>	<b>223</b>	<b>173</b>
Santa Clara	503	322	46	116	161	66	323	261	453	526	141	561	541	1,113	195	355	253	576
Sunnyvale	354	137	407	142	345	185	311	1,096	149	168	483	179	26	270	302	304	417	225
San Jose	2,063	2,040	1,449	2,312	2,020	1,911	4,132	4,372	4,863	3,615	4,459	3,479	2,464	4,336	2,263	3,052	3,460	3,671
<b>TOTAL</b>	<b>4,534</b>	<b>3,801</b>	<b>2,857</b>	<b>3,225</b>	<b>3,889</b>	<b>3,113</b>	<b>6,090</b>	<b>8,646</b>	<b>7,448</b>	<b>5,431</b>	<b>6,477</b>	<b>4,998</b>	<b>3,278</b>	<b>5,943</b>	<b>3,259</b>	<b>4,866</b>	<b>5,837</b>	<b>5,225</b>

<sup>1</sup>Single family housing includes detached, semi-detached, rowhouse and townhouse units. Rowhouses and townhouses are included when units are separated by a ground-to-roof party or fire wall. Condominiums are included in single-family when they are of zer

<sup>2</sup>Multifamily housing includes duplexes, 3 to 4 unit structures, apartment buildings with five units or more, and condominium units in structures of more than one living unit that do not qualify as single-family housing under the above definiti

Source: US Census Bureau (2003-04 data), CIRB (1990-2002 data)

Table 5

**TOTAL EXISTING OFFICE SPACE IN SANTA CLARA COUNTY**

<b><u>Period</u></b>	<b><u>No. of Bldgs</u></b>	<b><u>Total RBA</u></b>	<b><u>Total Vacancy</u></b>	<b><u>Total Vacancy %</u></b>	<b><u>Total Vacant Available</u></b>	<b><u>Total Vacant Avail %</u></b>	<b><u>Occupied SF</u></b>	<b><u>Total Net Absorption</u></b>	<b><u>Total Average Rate</u></b>
QTD	3,212	89,238,245	14,545,579	16.3%	13,717,219	15.4%	74,692,666	561,460	\$23.75/fs
2004 3Q	3,211	89,211,769	15,080,563	16.9%	13,840,044	15.5%	74,131,206	1,278,945	\$23.62/fs
2004 2Q	3,209	89,197,200	16,344,939	18.3%	14,647,802	16.4%	72,852,261	753,475	\$23.88/fs
2004 1Q	3,207	89,183,078	17,084,292	19.2%	15,508,036	17.4%	72,098,786	(222,379)	\$24.40/fs
2003 4Q	3,206	89,175,668	16,854,503	18.9%	16,066,146	18.0%	72,321,165	739,193	\$24.63/fs
2003 3Q	3,204	88,894,832	17,312,860	19.5%	16,527,045	18.6%	71,581,972	484,933	\$23.92/fs
2003 2Q	3,203	88,869,967	17,772,928	20.0%	16,464,799	18.5%	71,097,039	(276,105)	\$23.68/fs
2003 1Q	3,203	88,869,967	17,496,823	19.7%	15,135,185	17.0%	71,373,144	(397,444)	\$29.66/fs
2002 4Q	3,199	88,246,371	16,475,783	18.7%	15,884,206	18.0%	71,770,588	(1,443,804)	\$30.61/fs
2002 3Q	3,197	87,868,733	14,654,341	16.7%	13,947,823	15.9%	73,214,392	(991,129)	\$32.82/fs
2002 2Q	3,194	87,710,392	13,504,871	15.4%	13,168,490	15.0%	74,205,521	(55,033)	\$35.09/fs
2002 1Q	3,188	87,127,340	12,866,786	14.8%	12,468,199	14.3%	74,260,554	(287,614)	\$36.91/fs

Source: CoStar

Table 6

**TOTAL EXISTING OFFICE SPACE IN MILPITAS**

<b><u>Period</u></b>	<b><u>No. of Bldgs</u></b>	<b><u>Total RBA</u></b>	<b><u>Total Vacancy</u></b>	<b><u>Total Vacancy %</u></b>	<b><u>Total Vacant Available</u></b>	<b><u>Total Vacant Avail %</u></b>	<b><u>Occupied SF</u></b>	<b><u>Total Net Absorption</u></b>	<b><u>Total Average Rate</u></b>
QTD	87	3,475,877	1,302,054	37.5%	1,230,170	35.4%	2,173,823	3,228	\$20.29/fs
2004 3Q	87	3,475,877	1,305,282	37.6%	1,224,156	35.2%	2,170,595	(7,334)	\$20.28/fs
2004 2Q	87	3,475,877	1,297,948	37.3%	1,233,148	35.5%	2,177,929	(10,839)	\$20.81/fs
2004 1Q	87	3,475,877	1,287,109	37.0%	1,214,271	34.9%	2,188,768	23,226	\$20.80/fs
2003 4Q	87	3,475,877	1,310,335	37.7%	1,272,882	36.6%	2,165,542	50,145	\$20.69/fs
2003 3Q	87	3,475,877	1,360,480	39.1%	1,469,788	42.3%	2,115,397	(202,074)	\$18.64/fs
2003 2Q	87	3,475,877	1,158,406	33.3%	653,172	18.8%	2,317,471	28,137	\$16.60/fs
2003 1Q	87	3,475,877	1,186,543	34.1%	666,016	19.2%	2,289,334	(23,866)	\$20.42/fs
2002 4Q	87	3,475,877	1,162,677	33.4%	1,160,079	33.4%	2,313,200	210,882	\$22.42/fs
2002 3Q	87	3,475,877	1,373,559	39.5%	1,155,470	33.2%	2,102,318	(180,709)	\$23.25/fs
2002 2Q	87	3,475,877	1,192,850	34.3%	1,180,737	34.0%	2,283,027	(281,881)	\$24.97/fs
2002 1Q	87	3,475,877	910,969	26.2%	895,945	25.8%	2,564,908	(29,176)	\$26.17/fs

Source: CoStar

Table 7

**CITY OF MILPITAS TAXABLE RETAIL STORE SALES**

(Thousands of Dollars)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<b>Rate of Growth<sup>1</sup></b>
Apparel Stores	\$14,936	\$40,634	\$72,610	\$84,435	\$100,810	\$106,726	\$99,089	\$109,258	\$113,729	\$109,078	\$114,599	1.43%
Gen. Merchandise & Drug	49,311	58,318	80,222	97,953	101,998	100,618	106,071	117,006	118,362	115,336	113,574	2.45%
Food Stores	23,179	23,551	23,673	24,547	28,544	32,075	34,461	37,075	37,302	35,830	33,765	1.03%
Eating & Drinking Places	68,930	73,486	88,299	100,775	121,589	126,333	136,510	170,825	166,174	159,420	152,736	3.87%
Furnishing & Appliances	6,783	11,563	29,309	39,472	26,175	30,842	66,492	123,801	72,493	48,513	45,497	8.09%
Bldg Materials & Farm Eqmt	57,294	59,852	62,913	63,560	58,512	57,833	61,846	66,251	66,570	70,600	73,424	4.89%
Auto Dealers & Supplies	17,494	27,699	32,175	29,685	31,606	31,553	33,388	38,105	38,684	32,433	25,558	-4.13%
Service Stations	31,501	34,013	33,901	41,784	42,619	38,985	49,424	61,244	58,395	52,369	58,491	8.45%
Other Retail Stores	48,844	70,654	120,368	127,370	151,945	155,633	174,803	194,086	184,594	156,196	153,949	-0.22%
<b>Total City of Milpitas</b>	<b>\$318,272</b>	<b>\$399,770</b>	<b>\$543,470</b>	<b>\$609,581</b>	<b>\$663,798</b>	<b>\$680,598</b>	<b>\$762,084</b>	<b>\$917,651</b>	<b>\$856,303</b>	<b>\$779,775</b>	<b>\$771,593</b>	<b>2.54%</b>
Annual Growth	-0.3%	25.6%	35.9%	12.2%	8.9%	2.5%	12.0%	20.4%	-6.7%	-8.9%	-1.0%	
<b>Total Santa Clara County</b>	<b>\$10,577,076</b>	<b>\$11,065,411</b>	<b>\$12,175,279</b>	<b>\$13,309,699</b>	<b>\$14,363,950</b>	<b>\$15,000,747</b>	<b>\$16,781,972</b>	<b>\$19,773,484</b>	<b>\$17,936,704</b>	<b>\$16,425,184</b>	<b>\$16,515,094</b>	<b>1.94%</b>
Share of County	3.0%	3.6%	4.5%	4.6%	4.6%	4.5%	4.5%	4.6%	4.8%	4.7%	4.7%	

<sup>1</sup> From 1998 to 2003

Source: California Board of Equalization

Table 8

**COUNTY OF SANTA CLARA TAXABLE RETAIL STORE SALES**

(Thousands of Dollars)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<b>Rate of Growth<sup>1</sup></b>
Apparel Stores	\$598,580	\$630,235	\$657,881	\$721,285	\$766,800	\$754,621	\$768,040	\$876,453	\$883,398	\$881,919	\$929,499	4.26%
Gen. Merchandise & Drug	1,962,082	2,015,243	2,102,438	2,165,959	2,362,054	2,463,695	2,634,731	2,855,114	2,720,353	2,569,589	2,589,324	1.00%
Food Stores	632,952	625,911	639,974	683,094	715,668	747,580	786,257	843,183	860,852	833,852	819,927	1.86%
Eating & Drinking Places	1,390,794	1,434,570	1,552,857	1,686,380	1,812,731	1,899,364	2,035,245	2,292,309	2,239,031	2,136,888	2,139,328	2.41%
Furnishing & Appliances	582,077	627,453	698,536	751,270	753,773	805,272	943,052	1,177,607	968,206	851,488	798,640	-0.17%
Bldg Materials & Farm Eqmt	728,597	768,397	838,043	930,462	1,039,020	1,109,969	1,188,810	1,354,643	1,316,587	1,278,024	1,314,681	3.44%
Auto Dealers & Supplies	1,804,565	1,874,201	2,151,346	2,427,241	2,695,909	2,878,368	3,260,271	3,936,077	3,561,230	3,200,738	3,143,148	1.78%
Service Stations	829,942	836,984	826,144	974,248	984,791	894,918	1,138,482	1,445,759	1,387,644	1,239,549	1,413,227	9.57%
Other Retail Stores	2,047,487	2,252,417	2,708,060	2,969,760	3,233,204	3,446,960	4,027,084	4,992,339	3,999,403	3,433,137	3,367,320	-0.47%
<b>Total Santa Clara County</b>	<b>\$10,577,076</b>	<b>\$11,065,411</b>	<b>\$12,175,279</b>	<b>\$13,309,699</b>	<b>\$14,363,950</b>	<b>\$15,000,747</b>	<b>\$16,781,972</b>	<b>\$19,773,484</b>	<b>\$17,936,704</b>	<b>\$16,425,184</b>	<b>\$16,515,094</b>	<b>1.94%</b>
Annual Growth	0.7%	4.6%	10.0%	9.3%	7.9%	4.4%	11.9%	17.8%	-9.3%	-8.4%	0.5%	

<sup>1</sup> From 1998 to 2003

Source: California Board of Equalization

Table 9

**PER CAPITA RETAIL STORE SALES IN SANTA CLARA COUNTY**

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<b>Rate of Growth</b>
Santa Clara County Population	1,542,100	1,558,500	1,568,200	1,586,400	1,612,700	1,638,300	1,658,000	1,679,200	1,704,500	1,716,100	1,719,500	1.07%
<b><u>Per Capita Sales</u></b>												
Apparel Stores	388	404	420	455	475	461	463	522	518	514	541	3.03%
Gen. Merchandise & Drug <sup>1</sup>	1,311	1,332	1,381	1,406	1,509	1,549	1,637	1,751	1,644	1,542	1,551	1.11%
Food Stores <sup>2</sup>	1,231	1,205	1,224	1,292	1,331	1,369	1,423	1,506	1,515	1,458	1,431	1.16%
Eating & Drinking Places	902	920	990	1,063	1,124	1,159	1,228	1,365	1,314	1,245	1,244	2.82%
Furnishing & Appliances	377	403	445	474	467	492	569	701	568	496	464	0.97%
Bldg Materials & Farm Eqmt	472	493	534	587	644	678	717	807	772	745	765	3.48%
Auto Dealers & Supplies	1,170	1,203	1,372	1,530	1,672	1,757	1,966	2,344	2,089	1,865	1,828	2.81%
Service Stations	538	537	527	614	611	546	687	861	814	722	822	3.71%
Other Retail Stores	1,328	1,445	1,727	1,872	2,005	2,104	2,429	2,973	2,346	2,001	1,958	3.19%
<b>Total Santa Clara County</b>	<b>\$7,718</b>	<b>\$7,942</b>	<b>\$8,620</b>	<b>\$9,292</b>	<b>\$9,838</b>	<b>\$10,114</b>	<b>\$11,118</b>	<b>\$12,831</b>	<b>\$11,581</b>	<b>\$10,588</b>	<b>\$10,603</b>	<b>2.39%</b>
Annual Growth	-3.2%	2.9%	8.5%	7.8%	5.9%	2.8%	9.9%	15.4%	-9.7%	-8.6%	0.1%	

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<sup>1</sup> Adjusted from taxable sales by 3% to reflect non taxable drug sales

<sup>2</sup> Adjusted taxable sales by 3 times to reflect total food store sales

Source: California Board of Equalization

Table 10

**MILPITAS SHARE OF COUNTY TAXABLE STORE SALES IN 2003**

(Thousands of Dollars)

	<b><u>City of Milpitas</u></b>	<b><u>Santa Clara County</u></b>	<b><u>Milpitas' Share Of County</u></b>
Apparel Stores	\$114,599	\$929,499	12.3%
General Merchandise	113,574	2,589,324	4.4%
Food Stores	33,765	819,927	4.1%
Eating & Drinking Places	152,736	2,139,328	7.1%
Furnishing & Appliances	45,497	798,640	5.7%
Bldg Materials & Farm Eqmt	73,424	1,314,681	5.6%
Auto Dealers & Supplies	25,558	3,143,148	0.8%
Service Stations	58,491	1,413,227	4.1%
Other Retail Stores	153,949	3,367,320	4.6%
<b>Total City of Milpitas</b>	<b>\$771,593</b>	<b>\$16,515,094</b>	<b>4.7%</b>

Source: California Board of Equalization

Table 11

**MIDTOWN AREA RETAIL SPACE DEMAND FORECAST: 2005 to 2015**

(Dollars are in Thousands)

		<u>2005</u>	<u>2015</u>	<u>Growth in Demand from 2005 to 2015</u>					
Primary Market Area Population <sup>1</sup>		842,680	923,334						
Real Income Adjustment		1.000	1.062						
	Per Capita	Total Market Area Demand		<u>Primary Market Area</u>		<u>City of Milpitas</u>			
				Sales	Sq Ft	Share	Total Sq Ft	Midtown Percentage	Midtown Sq Ft
Apparel Stores	\$0.541	\$455,522	\$529,889	\$74,368	330,522	17.5%	57,841	65%	37,597
Gen. Merchandise & Drug	\$1.551	1,307,025	1,520,407	213,382	853,528	6.5%	55,479	60%	33,288
Food Stores	\$1.431	1,205,471	1,402,273	196,803	463,065	9.0%	41,676	10%	4,168
Eating & Drinking Places	\$1.244	1,048,426	1,219,589	171,164	684,655	11.0%	75,312	60%	45,187
Furnishing & Appliances	\$0.464	391,391	455,289	63,898	290,444	8.0%	23,236	25%	5,809
Bldg Materials & Farm Eqmt	\$0.765	644,289	749,474	105,185	467,490	7.5%	35,062	40%	14,025
Auto Dealers & Supplies	\$1.828	1,540,370	1,791,848	251,478	342,009	3.0%	10,260	10%	1,026
Service Stations	\$0.822	692,584	805,653	113,070	129,223	7.8%	10,079	20%	2,016
Other Retail Stores	\$1.958	1,650,231	1,919,644	269,413	1,077,652	8.2%	88,367	50%	44,184
<b>Total Retail Stores</b>	<b>\$10.603</b>	<b>\$8,935,309</b>	<b>\$10,394,068</b>	<b>\$1,458,759</b>	<b>4,638,589</b>	<b>8.6%</b>	<b>397,313</b>	<b>47%</b>	<b>187,299</b>
<b>Allowance for Service Commercial and Entertainment Uses at 20%</b>							<b>79,463</b>	<b>60%</b>	<b>47,678</b>
<b>Total Commercial Sq Ft Demand</b>							<b>476,776</b>	<b>49%</b>	<b>234,976</b>

<sup>1</sup> Consists of Milpitas, Fremont and 60% of San Jose

Source: Economics Research Associates

Table 12

**MIDTOWN AREA RETAIL SPACE DEMAND FORECAST: 2015 to 2025**

(Dollars are in Thousands)

		<u>2015</u>	<u>2025</u>	<u>Growth in Demand from 2015 to 2025</u>					
Primary Market Area Population <sup>1</sup>		923,334	971,101						
Real Income Adjustment		1.062	1.127						
	Per Capita	Total Market Area Demand		<u>Primary Market Area</u>		<u>City of Milpitas</u>			
				Sales	Sq Ft	Share	Total Sq Ft	Midtown Percentage	Midtown Sq Ft
Apparel Stores	\$0.541	\$499,120	\$591,658	\$92,537	411,277	17.5%	71,973	65%	46,783
Gen. Merchandise & Drug	1.551	1,432,122	1,697,639	265,517	1,062,066	6.5%	69,034	50%	34,517
Food Stores	1.431	1,320,848	1,565,734	244,886	576,203	10.5%	60,501	10%	6,050
Eating & Drinking Places	1.244	1,148,772	1,361,755	212,983	851,933	11.0%	93,713	60%	56,228
Furnishing & Appliances	0.464	428,852	508,362	79,510	361,407	8.0%	28,913	25%	7,228
Bldg Materials & Farm Eqmt	0.765	705,955	836,839	130,885	581,709	7.5%	43,628	30%	13,088
Auto Dealers & Supplies	1.828	1,687,801	2,000,721	312,920	425,571	3.0%	12,767	10%	1,277
Service Stations	0.822	758,872	899,567	140,695	160,795	7.8%	12,542	20%	2,508
Other Retail Stores	1.958	1,808,177	2,143,414	335,237	1,340,949	8.2%	109,958	50%	54,979
<b>Total</b>	<b>\$10.603</b>	<b>\$9,790,519</b>	<b>\$11,605,689</b>	<b>\$1,815,170</b>	<b>5,771,909</b>	<b>8.7%</b>	<b>503,029</b>	<b>44%</b>	<b>222,658</b>
<b>Allowance for Service Commercial and Entertainment Uses at 20%</b>							<b>100,606</b>	<b>60%</b>	<b>60,364</b>
<b>Total Commercial Sq Ft Demand</b>							<b>603,635</b>	<b>47%</b>	<b>283,022</b>

<sup>1</sup> Consists of Milpitas, Fremont and 60% of San Jose

Source: Economics Research Associates

Table 13

**MIDTOWN AREA RETAIL DEMAND FORECAST SUMMARY: 2005 to 2025**

(Dollars are in Thousands)

	<u><b>2005-15</b></u>	<u><b>2015-25</b></u>	<u><b>Total</b></u>	<u><b>Percentage</b></u>
Apparel Stores	37,597	46,783	84,380	16.3%
Gen. Merchandise & Drug	33,288	34,517	67,805	13.1%
Food Stores	4,168	6,050	10,218	2.0%
Eating & Drinking Places	45,187	56,228	101,415	19.6%
Furnishing & Appliances	5,809	7,228	13,037	2.5%
Bldg Materials & Farm Eqmt	14,025	13,088	27,113	5.2%
Auto Dealers & Supplies	1,026	1,277	2,303	0.4%
Service Stations	2,016	2,508	4,524	0.9%
Other Retail Stores	44,184	54,979	99,163	19.1%
<b>Total Retail</b>	<b>187,299</b>	<b>222,658</b>	<b>409,957</b>	<b>79.1%</b>
<b>Service Commercial and Entertainment Uses at 20%</b>	<b>47,678</b>	<b>60,364</b>	<b>108,041</b>	<b>20.9%</b>
<b>Total Commercial Sq Ft Demand</b>	<b>234,976</b>	<b>283,022</b>	<b>517,998</b>	<b>100.0%</b>

Source: Economics Research Associates

Table 14

**CITY OF MILPITAS TOT COLLECTIONS**

(Thousands of Dollars)

	<b><u>TOT Collections</u></b>	<b><u>Annual Change</u></b>
1993	\$1,598	- -
1994	\$1,797	12.4%
1995	\$1,473	-18.0%
1996	\$2,497	69.5%
1997	\$2,973	19.1%
1998	\$3,884	30.6%
1999	\$4,760	22.6%
2000	\$6,328	32.9%
2001	\$8,098	28.0%
2002	\$5,734	-29.2%
2003	\$4,968	-13.4%
2004	\$4,671	-6.0%
Annual Growth	10.2%	

Source: Dean Runyan &amp; Associates

Table 15

**BAY AREA HOTEL MARKET TRENDS****July 2005**

	<u>Average Daily Room Rate</u>			<u>Occupancy Percent</u>		
	2005	2004	% Change	2005	2004	% Change
San Francisco	\$149.50	\$140.34	6.5%	84.3%	81.1%	3.9%
San Francisco Airport	\$91.28	\$88.91	2.7%	83.3%	79.4%	4.9%
San Jose / Peninsula	\$101.35	\$98.79	2.6%	66.8%	61.4%	8.8%
Oakland / East Bay	\$99.06	\$96.76	2.4%	67.3%	64.0%	5.2%

**YTD (to July 2004 and 2005)**

	<u>Average Daily Room Rate</u>			<u>Occupancy Percent</u>		
	2005	2004	% Change	2005	2004	% Change
San Francisco	\$151.69	\$146.49	3.5%	74.4%	72.8%	2.2%
San Francisco Airport	\$95.12	\$87.37	8.9%	72.8%	70.5%	3.2%
San Jose / Peninsula	\$106.06	\$102.50	3.5%	61.2%	58.3%	5.1%
Oakland / East Bay	\$101.24	\$98.47	2.8%	62.5%	58.6%	6.6%

Source: PKF Consulting

Table 16

**SELECTED MILPITAS HOTEL PROPERTIES**

<b><u>Hotel Property</u></b>	<b><u>Year Opened</u></b>	<b><u>No. of Rooms</u></b>
Travelodge Milpitas	Jun 1968	39
Beverly Heritage Hotel	Jun 1983	237
Best Western Brookside Inn	Jun 1985	78
Comfort Inn Milpitas	Aug 1986	53
Inns Of America San Jose North	Jan 1987	124
Crowne Plaza San Jose Silicon Valley	Jun 1987	305
Best Value Inn & Suites San Jose Airport	Jun 1987	80
Embassy Suites Milpitas	Nov 1987	266
Sheraton Hotel San Jose	Apr 1988	229
Days Inn Milpitas	Jan 1990	76
Homestead Milpitas Silicon Valley	Feb 1997	161
Residence Inn Milpitas Silicon Valley	Nov 1997	120
Extended Stay America San Jose Milpitas	Jan 1998	146
Larkspur Landing Milpitas	Nov 1998	124
Hilton Garden Inn San Jose Milpitas	Mar 1999	161
TownePlace Suites San Jose Milpitas	May 1999	143
Courtyard San Jose Milpitas	Jul 1999	154
Hampton Inn Milpitas Silicon Valley	Jan 2001	93
Staybridge Suites Hotel Silicon Valley Milpitas	Sep 2002	98
<b>Total City of Milpitas</b>		<b>2,687</b>
<b>Avg Past 20 Years: 1983 - 2002</b>		<b>132</b>

Source: Smith Travel Research

Table 17

**MARKET DEMAND SUMMARY FORECAST -- MILPITAS MID TOWN TRANSIT SUBAREA**

	<b>Low Forecast</b>				<b>Low Total 2006-2025</b>
	<b>2006-2010</b>	<b>2011-2015</b>	<b>2016-2020</b>	<b>2021-2025</b>	
Retail (SF)	30,000	180,000	120,000	30,000	360,000
Office (SF)	60,000	200,000	360,000	580,000	1,200,000
Lodging (SF)		107,286	0	0	107,286
Lodging (Units)	0	150	0	0	150
<u>Residential (Units)</u>	820	1,040	940	800	3,600
Townhouses	300	300	140	0	740
Apartment	160	440	400	400	1,400
Condominiums	360	300	400	400	1,460

  

	<b>High Forecast</b>				<b>High Total 2006-2025</b>
	<b>2006-2010</b>	<b>2011-2015</b>	<b>2016-2020</b>	<b>2021-2025</b>	
Retail (SF)	50,000	200,000	180,000	70,000	500,000
Office (SF)	60,000	280,000	440,000	660,000	1,440,000
Lodging (SF)		143,000	0	125,000	268,000
Lodging (Units)	0	200	0	150	350
<u>Residential (Units)</u>	950	1,200	1,150	1,100	4,400
Townhouses	350	400	210	0	960
Apartment	200	400	440	600	1,640
Condominiums	400	400	500	500	1,800

Source: Economics Research Associates